

AMENDED IN ASSEMBLY MARCH 5, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 21

Introduced by Assembly Member Jones
(Principal coauthor: Assembly Member Solorio)
(Coauthors: Assembly Members De Leon, Hancock, Krekorian, Leno,
Mullin, and Portantino)

December 4, 2006

An act to add Section 17052.1 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 21, as amended, Jones. Income taxes: earned income tax credit.

The Personal Income Tax Law authorizes various credits against the taxes imposed by that law, including certain credits that are allowed in modified conformity to credits allowed by federal income tax laws.

This bill would, for taxable years beginning on or after January 1, 2008, allow a credit computed by multiplying the federal credit amount, as defined, by 15% and subtracting therefrom the alternative minimum tax, as specified. The credit would be refundable upon appropriation by the Legislature, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17052.1 is added to the Revenue and
- 2 Taxation Code, to read:

1 17052.1. (a) For each taxable year beginning on or after
2 January 1, 2008, there shall be allowed as a credit against the “net
3 tax” (as defined by Section 17039) an amount determined under
4 subdivision (b).

5 (b) Except as otherwise provided in this section, the amount of
6 the credit allowed under subdivision (a) shall be computed by
7 multiplying the “federal credit amount” (as defined in subdivision
8 (c)) by 15 percent and subtracting therefrom the amount of tax
9 imposed by Section 17062 (relating to alternative minimum tax),
10 if any, for the same taxable year.

11 (c) ~~The term~~ *For purposes of this section*, “federal credit
12 amount” means the amount determined under Section 32 of the
13 Internal Revenue Code prior to the application of subdivision (h)
14 of that section, relating to reduction of credit to taxpayers subject
15 to alternative minimum tax.

16 (d) No credit shall be allowed under this section to any of the
17 following:

18 (1) Any person who is treated as a nonresident for any portion
19 of the taxable year.

20 (2) Any person who is married (within the meaning of Section
21 17021.5) and files a separate return for the taxable year.

22 (e) Section 3507 of the Internal Revenue Code, relating to
23 advance payment of earned income credit, shall not apply.

24 (f) For purposes of this section, any reference to Section 32 of
25 the Internal Revenue Code means the Internal Revenue Code as
26 amended by Public Law 106-107.

27 (g) If the amount allowable as a credit under this section exceeds
28 the tax liability computed under this part, the excess shall be
29 credited against other amounts due, if any, and the balance, if any,
30 shall be refunded to the taxpayer upon appropriation by the
31 Legislature.

32 (h) Notwithstanding any other state law, and to the extent
33 permitted by federal law, amounts refunded pursuant to subdivision
34 (g) shall be treated the same as the federal credit defined in
35 subdivision (c) for the purpose of determining eligibility to receive
36 benefits under Division 9 (commencing with Section 10000) of
37 the Welfare and Institutions Code or amounts of those benefits.

38 SEC. 2. It is the intent of the Legislature that state funds spent
39 for the purposes of an earned income tax credit shall be balanced
40 by a commensurate increase in state revenues realized from the

1 closure of loopholes in the Revenue and Taxation Code and from
2 the repeal or modification of outmoded, ineffective, or unfair tax
3 expenditures.

4 SEC. 3. This act provides for a tax levy within the meaning of
5 Article IV of the Constitution and shall go into immediate effect.

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